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 Equity Security Holders Of USA Capital First Trust Deed Fund, LLC

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:) BK-S-06-10725-LBR
 USA COMMERCIAL MORTGAGE COMPANY,) Chapter 11
 Debtor.)

In re:) BK-S-06-10726-LBR
 USA CAPITAL REALTY ADVISORS, LLC,) Chapter 11
 Debtor.)

In re:) BK-S-06-10727-LBR
 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,) Chapter 11
 Debtor.)

In re:) BK-S-06-10728-LBR
 USA CAPITAL FIRST TRUST DEED FUND, LLC,) Chapter 11
 Debtor.)

In re:) BK-S-06-10729-LBR
 USA SECURITIES, LLC,) Chapter 11
 Debtor.)

Affects)

- ☒ All Debtors)
☐ USA Commercial Mortgage Co.)
☐ USA Securities, LLC)
☐ USA Capital Realty Advisors, LLC)
☐ USA Capital Diversified Trust Deed)
☐ USA First Trust Deed Fund, LLC)

Date: October 19, 2006
 Time: 9:30 a.m.

**RESPONSE OF THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS
 OF USA CAPITAL FIRST TRUST DEED FUND, LLC TO MOTION TO INCREASE
 THE DEBTORS' 180-DAY EXCLUSIVE PERIOD TO CONFIRM PLANS OF
 REORGANIZATION TO DECEMBER 31, 2006 (AFFECTS ALL DEBTORS)**

1 **TO THE HONORABLE LINDA B. RIEGLE, UNITED STATES BANKRUPTCY JUDGE:**

2 The Official Committee of Equity Security Holders of USA Capital First Trust
3 Deed Fund, LLC (the "FTD Fund Committee") appointed in the above-captioned bankruptcy
4 cases (the "Chapter 11 Cases"), hereby responds (the "Response") to the "Motion to Increase the
5 Debtors' 180-Day Exclusive Period to Confirm Plans of Reorganization to December 31, 2006"
6 (the "Motion") filed by the debtors in the above-captioned cases (the "Debtors") and respectfully
7 represents as follows:

8 **I. FACTS**

9 1. Chapter 11 bankruptcy petitions in each of the five Chapter 11 Cases were
10 filed on April 13, 2006 (the "Petition Date").

11 2. On September 15, 2006, the Debtors filed the "Debtors' Joint Plan of
12 Reorganization" (the "Plan"). As drafted, the Plan was not neutral with respect to its treatment of
13 the five Debtors. For example, the Plan provides that assets from the estate of USA Capital First
14 Trust Deed Fund, LLC (the "FTD Fund") will be turned over to the estate of USA Capital
15 Diversified Trust Deed Fund, LLC (the "DTD Fund"). While the Plan purports to memorialize
16 the terms of a settlement between the FTD Fund and DTD Fund, no such agreement has been
17 reached.

18 3. The Debtors have informed the FTD Fund Committee that because the
19 official committees appointed in the Chapter 11 Cases have not agreed on the settlement
20 contained in the Plan, the Debtors soon will be filing a revised neutral plan. Indeed, the Debtors
21 have circulated a draft of a revised plan of reorganization that is much closer to a neutral plan.
22 The FTD Fund Committee is optimistic that by the time it is filed, either the Debtors' revised
23 plan of reorganization will be neutral or it will reflect a global settlement actually agreed upon by
24 all of the official committees appointed in the Chapter 11 Cases.

25 4. Pursuant to 11 U.S.C. 1121(c)(3), the Debtors are entitled to 180 day
26 exclusivity period in which to obtain acceptance of a proposed plan(s) of reorganization (the
27 "Solicitation Exclusivity Period"). Given that the Petition Date was April 13, 2006, the statutory
28 deadline for the Debtors to obtain acceptance of a plan(s) of reorganization is October 10, 2006.

Pursuant to a bridge order issued by the Court at the September 28, 2006 omnibus hearing, the Solicitation Exclusivity Period expires on October 19, 2006.

5. On September 15, 2006, the Debtors filed the Motion, by which the Debtors request that the Court extend the Solicitation Exclusivity Period through December 31, 2006. The Solicitation Exclusivity Motion is scheduled to be heard at the October 19, 2006 omnibus hearing.

II. DISCUSSION

6. At this time, the FTD Fund Committee does not oppose the Debtors' requested extension of the Solicitation Exclusivity Period. As noted above, the Debtors not only have informed the FTD Fund Committee that they will soon be filing an amended plan of reorganization, which plan will be neutral with respect to the treatment of the five Debtor estates, but they have also circulated a draft of a revised plan of reorganization that is fairly neutral.

7. In the event, however, that the Debtors do not file a neutral plan prior to the hearing on the Motion, the FTD Fund Committee reserves the right to file a supplemental response to the Motion, by which the FTD Fund Committee may object to the extension of the Solicitation Exclusivity Period.

8. Additionally, any order extending the Solicitation Exclusivity Period should be without prejudice to the rights of parties in interest in the Chapter 11 Cases to file a motion requesting that the Court terminate any extended solicitation exclusivity for the Debtors.

Respectfully submitted this 3rd day of October, 2006.



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